

Budget Overview

History

York County, Virginia, which was originally named Charles River County, was one of Virginia's eight original "shires" formed in 1634. It was renamed nine years later in 1643 when the river that determines the County's character was also given the name of the then Duke of York. York County has played a major role in the development of this nation. Most importantly, it was the location of the culminating battle of the Revolutionary War and the subsequent surrender of Lord Cornwallis and his British army on October 19, 1781.

Form of Government

The County of York, Virginia (the County) is organized under the traditional form of government (as defined under Virginia Law). The governing body of the County is the Board of Supervisors that establishes policies for the administration of the County. The Board of Supervisors comprises five members: one member from each of five districts, elected for a four-year term by the voters of the district in which the member resides. The Board of Supervisors appoints a County Administrator to act as the administrative head of the County.

Location

York County consists of approximately 108 square miles, with federal landholdings constituting nearly 40% of the land. The County is located in the Virginia Coastal Plain on a peninsula formed by the James and York Rivers and the Chesapeake Bay. The Peninsula includes James City County and the cities of Hampton, Newport News, Poquoson and Williamsburg, all of which adjoin York County. The County and the Peninsula are part of the greater Hampton Roads region. The boundaries of Hampton Roads correspond fairly closely with the boundaries of the Virginia Beach-Norfolk-Newport News VA NC Metropolitan Statistical Area (MSA), as defined by the U.S. Census Bureau.



Population

York County is home to approximately 63,000 people and ranks 18th in population among the state's 95 counties and 29th among the 134 cities and counties. In land area, however, the County is the 3rd smallest county in Virginia, making it the 6th most densely populated county. The County's population has grown steadily for decades, and so far in the first decade of the 21st century, the annual average is 2.2%. The vast majority of the growth, approximately 75% in recent years, is due to net migration, which is the difference between the number of people moving into a community and the number of people moving out.

Age

The 2000 median age in the County was 36.5 years, almost 4 years older than in 1990. The population is getting older, on average, as it is all over the country, because of the aging of the post-war baby boom generation born between 1946 and 1964. The baby boom was followed by a “baby bust” period that brought lower fertility rates, causing a “bulge” in the age distribution of the population. Meanwhile, medical advances have increased the average life expectancy and the Census Bureau projects that it will increase to almost 78 by 2010. The cumulative effect of these trends has been a significant rise in the median age both in York County and nationally.

Race

The racial composition of the County's population has been fairly stable, with whites representing 81% of the population in 2000. Although the number of black residents increased 14% between 1990 and 2000, the black proportion of the non-white population fell from 83% to 67% while the Asian population grew from 12% to 16% of the minority population.

Households

About 2/3 of the County's estimated 22,350 households are married-couple families, despite an increase in other types of living arrangements such as single-parent families, unrelated people living together, and people living alone. This prevalence of married-couple families in York County is reflected in its relatively large average household size, which, at 2.78 persons per household, was the highest on the Peninsula in 2000 and higher than averages for both the state (2.54) and the metropolitan area (2.60). This is partly attributable to the County's large proportion of on-base military households living in housing.

Labor Force and Unemployment

The civilian labor force is well educated. York County leads its Peninsula neighbors with 92% of its adult population holding at least a high school diploma. Of the high school graduates, 40% hold a bachelor's degree and 16% of adult residents hold a graduate or professional degree. The high level of education in the County is reflected in the types of jobs its residents hold. Forty percent of the County's employed residents in 2000 held professional or managerial occupations.

York County has one of the lowest unemployment rates in the metropolitan area, and it consistently trails the regional, statewide, and national rates. In 2003, the County's average unemployment rate was 2.5%.

Income

York County is one of the most affluent localities in Hampton Roads, with a 1999 median household income, as reported in the 2000 census, of \$57,956. York County has the lowest poverty rate on the Peninsula as reported in the 2000 census, with 3.5% of the population living below the poverty line.

Quality of Life

In 2004, York County ranked in the top 2% of best counties in a nation-wide quality of life study conducted by American City Business Journals, Inc. The County ranked 37th among the nation's 3,141 counties and independent cities. The study used 20 categories for the quality of life rating, including median household income, racial diversity, unemployment, commute times for residents and high school graduation rates.

Economic Development

Commercial investment in the County remained very strong in fiscal year 2006. The Lightfoot Corridor led the way with the groundbreaking of Williamsburg Marketcenter Phase II in October 2005. This retail project will have over 30 stores in 200,000 square feet of retail space anchored by an Ukrops supermarket. The Marketcenter Phase II at full build out will represent a taxable investment of \$33 million in new buildings and tenant improvements. Great Wolf Lodge announced plans for a 100-room expansion, 5,000 square feet of new meeting space and two new rides in the water park. The new investment totals \$18 million and the work should be completed early in 2007. In addition to bolstering the commercial real estate tax base, both projects will add significant lodging, meals and sales tax revenue in upcoming years. Infrastructure work in the International Business Center continued in fiscal year 2006, opening up significant new acreage for light industrial and office development. Interest in the entire Lightfoot area remains very strong and should continue, as the new Williamsburg Sentara Community Hospital will open in 2006.

Statistical Information

Top Employers

<u>Employer</u>	<u>No. of Employees*</u>
Naval Weapons Station/Cheatham Annex	2,443
York County School Division	1,849
Wal-Mart	1,020
York County Government	899
Water Country USA	809
United States Coast Guard Station	787
Great Wolf Lodge	400
Fairfield Resorts	326
Kings Creek Plantation	242
K-Mart	235

*Includes full-time and part-time positions.

Population, Per Capita Income and Unemployment Rates

<u>Fiscal Year</u>	<u>Population</u>	<u>Per Capita Income</u>	<u>Unemployment Rate</u>
2005	63,200	\$ 36,260	3.2%
2004	62,300	34,340	3.0%
2003	61,000	33,139	2.7%
2002	59,700	32,212	2.6%
2001	58,800	31,356	2.2%

Top Taxpayers

<u>Taxpayer</u>	<u>2004 Assessed Valuation</u>	<u>Tax</u>	<u>% of Total Assessment</u>
Virginia Power Company	\$ 344,878,615	\$ 2,641,331	5.70%
Giant Industries/Amoco Oil	84,544,880	1,595,259	1.40%
Lawyers Title Insurance Co.	119,054,750	984,652	1.97%
City of Newport News	74,480,000	608,874	1.23%
Anheuser Busch Companies	45,456,605	414,075	0.75%
Wal-Mart	32,243,390	312,660	0.53%
Philip Morris Inc.	14,586,445	297,214	0.24%
Kings Creek Plantation	29,906,950	247,985	0.49%
Verizon Virginia Inc.	24,012,735	196,404	0.40%
Kiln Creek Shopping Center	20,051,400	163,920	0.33%
	<u>\$ 789,215,770</u>	<u>\$ 7,462,374</u>	<u>13.04%</u>

School Division

Due to State law, the York County School Division is fiscally dependent upon the County. State law prohibits the School Division from entering into debt that extends beyond the current fiscal year without the approval of the local governing body. The governing body in York County is the Board of Supervisors. The Board of Supervisors approves the annual school budget, levies taxes to finance a substantial portion of the School Division's operations and approves the borrowing of funds and the issuance of debt used for school capital projects.

The York County School Board is responsible for elementary and secondary education within the County. There are five school board members, one from each electoral district. The School Division's instruction program encompasses kindergarten through 12th grade. There are nineteen schools in the Division: 4 high schools, 4 middle schools, 10 elementary schools and 1 charter school.

Student performance and meeting the state's Standards of Learning (SOLs) remains the pinnacle of achievement for the York County School Division. Based on the spring SOL test results, the school division continues to be a leader in student performance across the state with 100% of our schools meeting the SOL requirements for full accreditation. Furthermore, students consistently exceed the state average on the SOL test and the Scholastic Achievement Tests (SAT).

Education Statistical Data

School Year	School Facilities	Student Avg Daily Membership	Annual Costs	Cost per Student
2005	19	12,442	\$ 95,352,231	\$ 7,664
2004	19	12,363	85,673,325	6,930
2003	19	12,184	79,744,714	6,545
2002	18	12,010	75,284,635	6,268
2001	18	11,750	73,953,136	6,294

Goals and Objectives

The quality of life in a community cannot be measured by statistics. It can only be expressed in terms of the collective experiences enjoyed by the residents. It includes such things as a comfortable climate, recreational and entertainment opportunities, educational and cultural life, and an aesthetically pleasing living environment.

York County is best defined by its quality of life. Mild temperatures, a low crime rate, hundreds of miles of coastline, and abundant flora and fauna contribute to the County's reputation as a desirable place to live. To preserve and enhance this high quality of life is the overriding purpose of the York County *Comprehensive Plan*, which is a long-range plan to the physical development of the County. The *Comprehensive Plan* is necessary to ensure the efficient use of land in recognition of environmental constraints and the capacity of the public infrastructure. It seeks to provide an appropriate mix of residential, commercial and industrial development; to guide such development to appropriate areas of the County based on the carrying capacity of the land, the existing development character, and the presence of infrastructure and public facilities; to preserve the County's natural and historic resources and aesthetic quality and to prevent the overburdening of the County's roads, utilities, facilities and services.

The *Comprehensive Plan* is updated every five years, with the last update in December 2005. The plan is divided into chapters or elements dealing with various aspects of the County's physical development. The matrix below outlines which departments are responsible for the implementation of the goals. Within the budget document, the divisions responsible for fulfilling these goals provide a narrative outlining their respective objectives and implementation strategies. The narrative that follows this matrix is an excerpt from the Comprehensive Plan.

Department	Community Facilities	Economic Development	Environment	Historic Resources	Housing	Transportation	Land Use
General Admin	✓						
Judicial Admin	✓						
Public Safety	✓						
Environmental & Development Svcs	✓		✓	✓			
Finance & Planning	✓	✓	✓	✓	✓	✓	✓
Education							
Educational Svcs	✓						
Human Services	✓				✓		
General Services	✓						✓
Community Svcs	✓				✓		
Capital Outlay	✓	✓				✓	✓

Community Facilities

Goal: York County should be a community where the citizens feel safe from crime, receive prompt and effective emergency services when needed, and have convenient access to public facilities at appropriate locations to serve them economically and efficiently.

Objectives:

- Coordinate the location and timing of public facilities in recognition of existing and anticipated needs and characteristics, including the age distribution and location of present and projected future populations.
- Avoid wasteful duplication of effort in the construction and operation of public facilities.
- Maintain historic Yorktown as the seat of County government.
- Make optimum use of existing court and office space.
- Provide greater opportunities for the training of County personnel, in particular specialized training for law enforcement and fire and rescue personnel.
- Provide Sheriff's facilities to accommodate manpower levels sufficient to provide prompt and effective crime protection, prevention and law enforcement to all areas of the County.
- Provide detention/correctional facilities of sufficient capacity to house securely and safely the County's future adult and juvenile inmate population.
- Provide fire stations to accommodate manpower levels sufficient to provide prompt and effective fire and emergency medical response to all areas of the County.
- Maintain a five-minute average fire and emergency response time to at least 90% of the County's land area.
- Achieve higher levels of excellence in library service.
- Provide convenient library service to all areas of the County.
- Protect the natural environment and preserve open space.
- Provide for a range of recreational facilities and activities adequate in number, type, size, and location to accommodate the needs of County residents.
- Ensure that athletic fields and other recreational facilities are well maintained.
- Increase public recreational, fishing and boating access to waterways.
- Provide a learning environment that is conducive to the education of all present and future school-age children in the County.

- Achieve and maintain the following overall student/classroom ratios and program capacity guidelines at each school: Kindergarten 20:1, 350-700 students; First-Second 22:1, 350-700 students; Third-Fifth 25:1, 350-700 students; Middle 25:1, 700-1000 students; High 25:1, 1200-1800 students.
- Optimize use of school facilities and grounds.
- Promote lifelong learning.

Economic Development

Goal: Build a healthy and diverse economic base that provides well-paying jobs and generates sufficient revenue to pay for the service needs of both businesses and the citizenry without degrading the County's natural resources or the overall quality of life.

Objectives:

- Continue to expand York County's commercial and industrial tax base.
- Enhance the long-term visual attractiveness of the County's major commercial corridors.
- Expand job opportunities for York County residents.
- Increase visitation to York County.
- Promote York County as an attractive location for economic development.
- Encourage mixed-use development in appropriate areas.
- Encourage creativity in the design of economic development projects.

Environment

Goal: Establish and preserve a balance between York County's natural and built environment that contributes positively to the quality of life of current and future generations.

Objectives:

- Preserve and protect environmentally sensitive areas and natural resources from the avoidable impacts of land use activities and development.
- Enhance public awareness and understanding of the importance of environmental conservation and preservation.
- Continue to implement special development regulations to protect natural resource areas, including low-lying areas, areas with steep slopes, tidal and nontidal wetlands, Chesapeake Bay Preservation Areas, and areas identified by the Virginia Department of Conservation and Recreation, Division of Natural Heritage in the Natural Areas Inventory of the Lower Peninsula of Virginia.
- Reduce danger to persons, property, and the environment caused by stormwater runoff from developed areas.
- Reduce or eliminate the loss of life and property damage from natural hazards.
- Achieve and maintain regional attainment with the National Ambient Air Quality Standards.
- Ensure that land development occurs in recognition of the ability of the land to support such development without environmental degradation.
- Preserve open space for purposes of wildlife habitat and the preservation of ecologically sensitive areas.
- Ensure the conservation and enhancement of adequate and safe future water supply areas.
- Reduce the incidence of failing septic systems.
- Ensure existing and proposed public and private access facilities (docks and piers) do not have a negative impact on water quality.
- Protect coastal wetlands, marshes, rivers, inlets and other bodies of water from degradation associated with land development.
- Protect shoreline property from erosion in a cost-effective manner that preserves and enhances shoreline resources, water quality, wetlands, riparian buffers and wildlife habitat.
- Minimize the need for streambank and shoreline erosion controls.
- Limit noise associated with nonresidential development and highway traffic.

- Promote compatible land use and development in areas where aircraft noise exceeds acceptable levels as determined by the Department of Housing and Urban Development.
- Achieve a 50% recycling rate.
- Provide for the convenient, efficient, and safe removal and disposal of leaves and yard debris.
- Expand markets for recycled and recyclable products.

Historic Resources

Goal: Identify, preserve, protect and enhance the County's existing and future historical resources.

Objectives:

- Update inventories of known archaeological and architectural resources on a regular basis.
- Continue efforts to coordinate the sharing of information (as through VDHR) as inventories are conducted on the large percentage of the County's riverfront property, especially rich in historic resources, owned by the federal government.
- Increased attention should be given to the documentation, inventory and evaluation of African-American resources.
- Initiate a regional survey and evaluation study of mill sites, particularly those that played an important role in the maintenance of the historic plantation system.
- Explore funding options for preservation activities.
- Consider establishment of historic or neighborhood protection districts in historically significant communities.
- Maintain a local historic archives repository.
- Promote public education and awareness of County historic resources for persons of all ages. Utilize these resources for the educational, civic, and economic benefit of the County and its citizens.
- Participate in the Virginia Historic Landmarks and National Register of Historic Places programs.
- As was done with architectural resources, complete a comprehensive archaeological resources inventory to identify archaeologically sensitive areas of the County.
- Promote heritage tourism in the County.

Housing

Goal: Ensure that decent, safe, sanitary, and affordable housing is available to all County residents.

Objectives:

- Promote the development of pleasant and attractive living environments.
- Establish land use and development policies and regulations that provide opportunities for housing construction, rehabilitation, and maintenance of affordable housing that addresses the current and future needs of all income levels in the County and that considers the current and future needs within the Hampton Roads Planning District.
- Provide for a range of housing types and densities corresponding to the needs of a diverse population.
- Protect residential areas from encroachment by incompatible land uses that adversely affect the quality of life.
- Increase opportunities for safe and convenient walking and bicycling in residential areas.
- Encourage mixed-use development in appropriate areas.
- Prevent neighborhood blight and housing dilapidation.

Transportation

Goal: Provide for the safe and efficient movement of people and goods within York County and throughout the Hampton Roads region.

Objectives:

- Promote the development of a regional multi-modal transportation system.
- Maintain adequate levels of service on County roadways (i.e., LOS C or better).
- Increase funding for transportation improvements critical to the mobility of York County's citizens.
- Promote development and land use strategies that enhance roadway safety and preserve the carrying capacity of the roadway network.
- Reduce crash rates on York County roadways.
- Utilize technology to enhance mobility and safety.
- Promote the development of improved air transportation service convenient to York County residents.
- Increase the number of bicycle lane miles in the County in accordance with the *Regional Bikeway Plan* for Williamsburg, James City County, and York County.
- Provide a safe and convenient walking environment for pedestrians.
- Provide for the particular mobility needs of the senior population when planning transportation programs and facilities.

Land Use

Goal: Provide for orderly and efficient land use patterns that protect, preserve, and enhance the natural and physical attributes of the County that define and contribute positively to its appearance and character.

Objectives:

- Provide for residential growth that would allow the County population to reach a maximum of approximately 80,000 residents.
- Establish and maintain a balanced diversity of land uses, with minimal conflicts among different uses, in recognition of the physical characteristics of the County and the capacity of the land and public services and infrastructure to host different types of uses.
- Consider development patterns and plans established in adjoining jurisdictions when making local land use decisions and designations.
- Preserve open space throughout the County such that these areas will become an integral part of the community.
- Preserve and protect certain lands near the shoreline that have intrinsic value for the protection of water quality in the Chesapeake Bay and its tributaries.
- Enhance the visual appeal of the County's major transportation corridors.
- Encourage the adaptive reuse of existing blighted properties.
- Encourage beautification of existing development to improve its visual quality and appeal.
- Preserve, protect, and enhance cultural, environmental, and historic areas.
- Protect unspoiled vistas and views of the water.
- Minimize the visual obtrusiveness of telecommunications towers.
- Pursue and/or continue regulatory, non-regulatory and incentive-based programs that help preserve and enhance the positive character-defining attributes of the County such as abundant open space, tree-lined road corridors, attractive "gateway" entrances, well-landscaped commercial areas, and pleasant residential settings.
- Encourage the use of cluster development techniques and conservation easements to help preserve open space.
- Maintain higher development performance standards at major "gateway" entrances and along major "gateway" corridors.

Budget Process

The County has a separate unit within the Department of Financial and Management Services, the Division of Budget and Financial Reporting (BFR), dedicated to the budget and financial reporting processes. Each fall, BFR drafts and distributes a Procedures Manual outlining the departments' responsibilities for the upcoming budget year. As outlined in that document, all budget requests must be prepared using the standard electronic files distributed by BFR and departments are responsible for adhering to the established due dates. Afterwards, a series of departmental meetings are held.

During the spring, the County Administrator submits a balanced budget to the Board of Supervisors for the next fiscal year to begin July 1. After a series of work sessions with the Board of Supervisors and public hearings, the budget is amended as necessary and an appropriations resolution by functional level is adopted. Tax rates are established prior to the beginning of the fiscal year. The budget is required to be adopted by a majority vote of the Board of Supervisors prior to the end of the current fiscal year. The budget may be amended by the Board of Supervisors through supplemental appropriations or transfers as necessary. The legal level of budgetary control rests at the fund level with the exception of the general fund, which is appropriated at the functional level.

Budget Calendar

The following timeline outlines the general budget process for the County for the forthcoming fiscal year:

July	Departments submit requests for New Personnel, Programs and Equipment (PPE). Meetings are held with departments to discuss their requests.
October	Budget Call Session is held for the departments. This informational session is to obtain instructions regarding the preparation of their respective budgets.
November	Departments are required to submit their budgets to the Division of Budget and Financial Reporting.
December	Funding Request Letters for contributions are due from outside agencies. A summary of New PPE and the Capital Improvements Program (CIP) requests are submitted to the County Administrator.
January	Revenue projections and expenditure estimates are provided to the County Administrator. A preliminary budget outlook is presented at a joint work session with the County's Board of Supervisors and the School Board. Meetings are held with departments to discuss their operational and capital needs.
February	Work sessions are held with the Board of Supervisors to present and discuss New Personnel, Program and Equipment requests and CIP requests. A Public Forum is held. Final adjustments to the Proposed Budget are made.
March	Media briefing and formal presentation of the Proposed Budget are held. Advertise budget, tax assessment and tax rate. Public hearings on the budget and tax rates are held. Various work sessions are held to discuss the Proposed Operating and CIP budgets.
April	Operating and CIP budgets are adopted.

Performance Measurement

The budget process incorporates the Program Effectiveness Process (PEP). As called for in a Board of Supervisor's goal, PEP is a County program utilized to assist with the assessment process to ensure that services provided are operationally effective and efficient and that expenditures are essential.

It provides the information necessary to evaluate service delivery options and to determine if programs are responsive to the needs and priorities articulated by the Board of Supervisors and citizens. A mission statement, goals, objectives and measures are developed for each budget activity and submitted with the budget request. In addition, departments are responsible for submitting quarterly updates to their PEP reports.

Financial Policies

York County's policy, in compliance with the Code of Virginia, is to propose and adopt a balanced budget for the General Fund, whereby revenues equal expenditures. The general, special revenue, debt service, and capital projects have legally adopted budgets. Proprietary funds with activity in addition to depreciation are also appropriated, with the exception of the Yorktown Operations Fund, which utilizes a flexible budget, where the demand for services is difficult to estimate and therefore, the level of spending needed to meet demand.

The Comprehensive Annual Financial Report includes the additional proprietary funds not budgeted for the reasons outlined above and trust and agency funds. The County, acting as fiscal agent, would not legally adopt the budget for these funds.

Investments

The Treasurer of York County is an elected Constitutional Officer whose responsibility, in part, is to invest York County funds in an expedient and prudent manner, meeting or exceeding all statutes and guidelines governing the investment of public funds in Virginia. This policy applies to the investment of all funds, excluding the investment of employees' retirement funds. Proceeds from certain bond issues, as well as separate foundation or endowment assets, are not covered by this policy. Significant excerpts from the investment policy are outlined below.

Except for cash in certain restricted and special funds, cash and reserve balances from all funds will be consolidated to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

The primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield. Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk. Credit risk is the risk of loss due to the failure of the security issuer or backer, by limiting investments to certain types of securities or diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity or investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with this policy.

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets.

Alternatively, a portion of the portfolio may be placed in money market mutual funds or local government investment pools, which offer same-day liquidity for short-term funds.

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

Securities shall generally be held until maturity with the following exceptions: a security with declining credit may be sold early to minimize loss of principal, a security swap would improve the quality, yield, or target duration in the portfolio or liquidity needs of the portfolio require that the security be sold.

All trades of marketable securities will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds.

Securities will be held by an independent third-party custodian selected by the Treasurer as evidenced by safekeeping receipts in the County's name. The investment officer shall establish a system of internal controls, which shall be documented in writing. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees.

The following investments will be permitted by this policy and are those defined by state and local law where applicable: U.S. Treasury obligations which carry the full faith and credit guarantee of the United States government and are considered to be the most secure instruments available; U.S. government agency and instrumentality obligations that have a liquid market with a readily determinable market value; certificates of deposit and other evidences of deposit at financial institutions, bankers' acceptances; corporate notes and bonds (U.S. dollar denominated) rated in the AAA or AA categories by both Standard & Poor's and Moody's; commercial paper (U.S. dollar denominated) issued by an entity incorporated in the U.S.; rated "prime quality" by at least two of the nationally recognized rating agencies; investment-grade obligations of state, provincial and local governments and public authorities; repurchase agreements whose underlying purchased securities consist of the aforementioned instruments; money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities; and local government investment pools either state-administered or developed through joint powers statutes and other intergovernmental agreement legislation.

The investments shall be diversified by: limiting investments to avoid overconcentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities), limiting investment in securities that have higher credit risks, investing in securities with varying maturities, and continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs), money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

This policy shall be reviewed by the Treasurer on an annual basis.

Debt Policy

The County does not issue long-term debt to finance current operations and emphasizes pay-as-you-go capital financing. The County does not use tax revenue anticipation notes (TRANS) to fund current operations and does not intend to issue bond anticipation notes for a period of longer than three years. The issuance of variable rate debt by the County is subject to careful review and is issued only in a prudent and fiscally responsible manner.

Whenever the County finds it necessary to issue bonds, the term of any bond issue will not exceed the useful life of the capital project/facility or equipment for which the borrowing is intended. The County shall comply with all U.S. Internal Revenue Service arbitrage rebate requirements for bonded indebtedness.

The County shall comply with all requirements of Title 15.1 Code of Virginia and other legal requirements regarding the issuance of bonds and certificates of the County or its debt issuing authorities.

Whenever the County finds it necessary to issue revenue-supported bonds, the following guidelines will be adhered to:

- Revenue-supported bonds are defined as a bond in which the debt service is payable solely from the revenue generated from the operation of the project being financed or a category of facilities (i.e. water, sewer, solid waste).
- The term of any revenue-supported bond issue will not exceed the useful life of the capital project/facility or equipment for which borrowing is intended.
- Revenue-supported bonds will be structured to allow equal or declining annual debt service payments over a term not to exceed the life of the project being financed. For those revenue-supported bonds issued to the Virginia Revolving Loan Fund annual debt service payments shall not exceed twenty years.

In accordance with the Code of Virginia, legal debt limits do not apply to counties, unless the county elects to be treated as a city for the purpose of incurring debt and issuing bonds. York County has not made such an election and consequently is not subject to debt legal limits. The County monitors all debt covenants to ensure compliance. For governmental funds, proceeds from the issuance of debt and the repayment of debt are accounted for in the debt service funds. For proprietary funds, accounting for debt occurs in the respective fund.

Revenue

The County's revenue stream consists of local, state, federal and other financing sources. The majority of the County's revenue is derived from general property taxes. It is the County's policy for one-time revenues to be used to fund capital projects. In addition, the County strives to diversify its sources of revenue.

Expenditures

The County's expenditure budget is divided into functional areas (departments). Each department is assigned a Budget Analyst. The Budget Analyst, in coordination with Department Heads, monitors expenditures throughout the fiscal year to ensure compliance with legal requirements and accounting standards.

The County Code provides that the County Administrator may transfer funds within appropriation functions. These transfers allow for the disbursement of funds for unanticipated costs incurred in daily County operations and any such transfer may not result in a change in the total appropriated for personnel or non-personnel costs within the function.

Fund Balance Reserve

Fund balance reflects the accumulation of excess revenues over expenditures. The County strives to maintain a minimum unobligated fund balance of 18% of the current year budgeted expenditures for operations as a reserve. This unobligated portion of fund balance provides sufficient working capital for the County and serves as a “rainy day” fund for emergencies or unforeseen circumstances.

Fund balances for the County and School Division’s capital projects funds are projected to decrease in fiscal year 2007. These funds have accumulated balances in previous years to finance major pay-as-you-go capital projects continuing into fiscal year 2007.

Fund Structure

The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate self-balancing set of accounts that comprise assets, liabilities, revenues and expenditures/expenses. The following fund types are used: governmental, proprietary, trust and agency funds and component units.

The following funds are projected to be major funds in FY2007: General Fund, School Debt Service Fund, Yorktown Capital Improvements Fund, County Capital Fund, Sewer Utility Fund, and the Yorktown Operations Fund.

Governmental Funds

Most governmental functions of the County are financed through governmental funds. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

General Fund

The General Fund is the County’s primary operating fund. It is used to account for all revenue sources and expenditures not required to be accounted for in other funds.

Special Revenue Funds (Social Services, Law Library, Children’s Services)

Special Revenue Funds are used to account for the proceeds of federal, state and local sources that are legally restricted to expenditures for specified purposes.

Debt Service Funds (Fire & Rescue, School, Public Facility)

Debt service funds are used to account for the receipt and payment of bonds and loans issued for equipment purchases, construction and maintenance of facilities.

Capital Projects Funds (Stormwater Projects, Yorktown Capital Improvements, County Capital)

Capital Projects Funds are used to account for financial resources used to address drainage improvements, and for the acquisition or construction of major capital facilities and equipment, other than those financed by proprietary funds.

Other Funds (Workers’ Compensation, Tourism, Revenue Stabilization Reserve)

The Workers’ Compensation Fund accounts for the revenues and expenditures relating to the workers’ compensation policy of the County. The Tourism Fund accounts for the revenues and expenditures of the 3% lodging tax restricted by the State for tourism activities. The Revenue Stabilization Reserve Fund accounts for local funds equal to the excess of Federal Impact Aid receipts returned by the School Division at the close of any fiscal year.

Proprietary Funds

Proprietary funds account for operations similar to those in the private sector. Proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

Internal Service Fund

The Vehicle Maintenance Fund accounts for the operation of the vehicle maintenance and replacement services that are provided to County departments on a cost reimbursement basis.

Enterprise Funds

Solid Waste Fund

This fund accounts for the operations of the County's solid waste disposal system.

Water Utility Fund

This fund accounts for operations of the County's water utility systems.

Sewer Utility Fund

This fund accounts for the operations of the County's sewer utility systems.

Water and Sewer Extension Fund

This fund accounts for the County's water and sewer construction projects.

Yorktown Operations Fund

This fund accounts for the operations of Riverwalk Landing, including tenant lease income and operational expenses to maintain the retail space and piers.

School Funds

The County's budget includes the operating and construction funds of the York County School Division.

School Operating Fund

This fund accounts for the day-to-day operations of the School Division.

School Construction Fund

This fund accounts for the maintenance and construction needs of the School Division.

Basis of Budgeting

The budgets of governmental funds are prepared on the modified accrual basis. The accrual basis of accounting is used for the proprietary funds, except for depreciation, amortization, debt principal payments and capital outlay.

Basis of Accounting

The CAFR is prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted primary standard-setting body for establishing governmental accounting and financial reporting principles.

In most cases, the accounting treatment conforms to the budget treatment with the following exceptions:

- Compensated absences are accrued as earned (GAAP) versus expended when paid (budget).
- Depreciation and amortization expenses are non-cash items and are not budgeted. These expenses are recognized for GAAP purposes.
- Principal payments on debt in the proprietary funds result in a reduction in the outstanding liability (GAAP) versus expended (budget).
- Capital outlay in the proprietary funds is recorded as a capital asset (GAAP) versus expended (budget).

Capital Improvements Program

A given capital project must have an estimated expected useful life of three or more years and have a cost of at least \$30,000 to qualify for inclusion in the County's Capital Improvements Program (CIP). The CIP is a six-year plan that addresses both repair and replacement of existing infrastructure as well as the construction or acquisition of new facilities and equipment to accommodate current and future demands for service. Details on capital projects are located within the separate CIP document and a summary of the projects follows this discussion.

Capital expenditures are accounted for in their respective funds, including the general fund, the capital projects funds, the enterprise funds and the school construction fund. The CIP is divided into three sections: General Fund, School Capital Fund and Enterprise Funds. The General Fund portion contains projects related to general governmental services in areas such as general administration, facilities maintenance, public safety, parks and recreation and stormwater projects. The School Capital Fund section reflects the projects involving infrastructure used in support of the County School Division. Water and sewer projects may be found in the Enterprise Funds section.

Financing of the CIP is provided on a pay-as-you-go basis or through debt issuance. Pay-as-you-go funding is provided from several sources including current tax revenues, interest earnings, revenues from other governmental agencies and user fees. Debt funding may include general obligation bonds, revenue bonds or lease financing.

The aggregate budgeted amount of capital expenditures for FY2007 is \$30,144,700. Included in this total is funding for school capital projects (\$11,750,000). Of this total, a significant portion is allocated to two major projects: additions and renovations to Yorktown Middle School (\$9,800,000) and the addition of space for the autism program operated by the New Horizons Regional Educational Center (\$1,500,000). A debt issuance is planned in FY2007 for approximately \$11,000,000 to assist with the funding of these projects. The School Division will enter into a long-term lease with New Horizons to reimburse the County for debt service. A list of all school capital projects can be found behind the School Funds tab.

A total of \$7,015,000 for sewer projects is also included in the FY2007 CIP. Major projects budgeted in fiscal year 2007 include the Queens Lake and York Point areas. These projects are paid through user fees in the fund. The Sewer Fund is located behind the Enterprise Funds tab.

Funding for FY2007 also includes a significant non-routine capital expenditure (\$3,500,000) for an athletic field complex. This project does not significantly impact County operations, as the funding will be provided from accumulated capital fund reserves.

**Adopted Capital Improvements Program
Fiscal Years 2007 - 2012**

Prg ID No.	Program Title	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012
GENERAL FUND							
Current Revenues							
Capital Maintenance and Replacement							
CA-8102	Video Services Studio Equipment Replacement	\$ 120,000	\$ 120,000	\$ 120,000	\$ 90,000	\$ 42,000	\$ -
PS-8482	Biomedical Equipment Replacement	87,000	87,000	87,000	87,000	87,000	87,000
PS-8401	Fire Station Replacement Generators	-	175,000	-	-	-	-
PS-8403	Backup Emer Gener Power-Emergency Shelters	-	105,000	230,500	-	-	-
PS-8404	Emer Mgmt Advisory Info Radio Broadcast	-	-	-	-	100,000	-
PS-8405	Emer Mgmt Advisory Info Portable Signage	-	-	-	-	100,000	-
PS-8406	Backup Power-Emer Shelter and Disaster Support	-	-	-	60,000	-	-
GS-8600	Grounds Maintenance and Construction	153,500	125,000	238,500	510,000	523,500	1,084,005
GS-8601	Engineering and Facility Maintenance	119,200	238,900	358,775	732,900	549,910	301,335
GS-8641	Roadway Maintenance	-	-	-	137,000	-	-
GS-8663	Grounds Maintenance Machinery & Equipment Replacement	-	78,000	37,000	451,000	161,000	227,775
	Subtotal - Capital Maintenance and Replacement	<u>479,700</u>	<u>928,900</u>	<u>1,071,775</u>	<u>2,067,900</u>	<u>1,563,410</u>	<u>1,700,115</u>
County Capital Projects							
ES-8561	Drainage Improvement Projects	150,000	200,000	200,000	250,000	250,000	300,000
ES-8565	Stormwater D4 Dozer Equipment	-	-	100,000	-	-	-
ES-8566	Walking Shaff Excavator Replacement	-	-	-	150,000	-	-
ES-8567	Stormwater Back-Hoe Replacement	-	-	-	-	-	100,000
FS-5000	Environmental Enhancement Projects	60,000	65,000	75,000	75,000	75,000	90,000
FS-5100	Highway and Other Transportation Improvements	690,000	710,000	710,000	740,000	740,000	740,000
GS-8710	Underground Utilities	75,000	95,000	100,000	100,000	150,000	150,000
CS-8818	Park Land Acquisition Fund	-	-	-	75,000	75,000	75,000
CS-8819	Replacement Mobile Performance Stage	-	-	-	140,000	-	-
	Subtotal - County Capital Projects	<u>975,000</u>	<u>1,070,000</u>	<u>1,185,000</u>	<u>1,530,000</u>	<u>1,290,000</u>	<u>1,455,000</u>
Total General Fund - Current Revenues		<u>1,454,700</u>	<u>1,998,900</u>	<u>2,256,775</u>	<u>3,597,900</u>	<u>2,853,410</u>	<u>3,155,115</u>
GENERAL FUND							
Debt/Other Financing Sources							
County Capital Projects							
PS-8426	Fire Apparatus Replacement	-	3,721,445	-	-	-	-
PS-8427	Satellite Fire Station Additions	-	-	2,042,000	-	-	-
PS-8428	Fire Station - Bypass Road Corridor	-	-	-	-	-	3,115,000
PS-8919	Mobile Data Terminals	200,000	440,000	440,000	440,000	440,000	440,000
FS-8910	Financial Software Upgrade	-	-	100,000	500,000	500,000	500,000
FS-8912	Administration/Finance Building	-	-	-	-	-	245,000
CS-8812	Park Facility Development	3,500,000	4,200,000	-	30,000	100,000	50,000
CS-8816	Senior Center	-	-	-	-	1,493,500	-
CS-8821	Parks and Recreation Facility Improvements	200,000	-	-	-	750,000	300,000
CS-8822	Library Needs Study/Expansion	-	-	-	-	-	3,415,000
	Subtotal - County Projects	<u>3,900,000</u>	<u>8,361,445</u>	<u>2,582,000</u>	<u>970,000</u>	<u>3,283,500</u>	<u>8,065,000</u>
Social Services							
SS-001	York-Poquoson Dept of Social Services Building	-	-	-	-	-	210,000
Solid Waste							
ES-8562	Waste Management Center	1,500,000	-	-	-	-	-
ES-8563	Knuckle Boom Trucks	-	135,000	-	-	-	159,300
	Subtotal - Solid Waste Projects	<u>1,500,000</u>	<u>135,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>159,300</u>

**Adopted Capital Improvements Program
Fiscal Years 2007 - 2012**

Prg ID No.	Program Title	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012
Stormwater Projects							
ES-610	Brandywine Stormwater System - Phases II and III	500,000	500,000	400,000	-	-	-
ES-611	Moore's Creek Drainage - Phase III	-	600,000	600,000	-	-	-
ES-617	Greensprings Drainage	-	-	-	500,000	-	-
ES-624	Cook Road/Falcon Road Drainage	275,000	-	-	-	-	-
ES-625	Edgehill East Outfall	2,000,000	2,500,000	-	-	-	-
ES-626	Edgehill/Fort Eustis Drainage	1,200,000	-	-	-	-	-
ES-627	Ella Taylor/Gray Lane Drainage	-	75,000	-	-	-	-
ES-630	Rich Acres/Route 17 Drainage	250,000	-	-	-	-	-
ES-632	Victory Industrial Park Drainage	300,000	200,000	-	-	-	-
ES-633	Terrebonne Drainage	-	-	-	500,000	-	-
	Subtotal - Stormwater Capital Projects	<u>4,525,000</u>	<u>3,875,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>	<u>-</u>
Total General Fund - Debt/Other Financing Sources		<u>9,925,000</u>	<u>12,371,445</u>	<u>3,582,000</u>	<u>1,970,000</u>	<u>3,283,500</u>	<u>8,434,300</u>
Total All General Fund Projects		<u>11,379,700</u>	<u>14,370,345</u>	<u>5,838,775</u>	<u>5,567,900</u>	<u>6,136,910</u>	<u>11,589,415</u>
SCHOOLS - Debt/Other Financing Sources							
Capital Maintenance							
SL-167	HVAC & Energy Mgmt - Dare Elem	-	-	-	1,300,000	-	-
SL-170	HVAC & Energy Mgmt - Yorktown Elem Gym	-	-	-	150,000	-	-
SL-171	HVAC & Energy Mgmt - Grafton Complex Gym	180,000	-	-	-	-	-
SL-172	HVAC & Energy Mgmt - Coventry Elem	-	-	-	-	2,200,000	-
SL-173	HVAC & Energy Mgmt - Tabb and Yorktown Elem	-	-	-	-	250,000	-
SL-174	HVAC/Energy Mgmt - Magruder Elem	-	-	-	-	-	2,200,000
SL-175	Abatement - Dare Elem	-	-	-	100,000	-	-
SL-176	Abatement - Seaford Elem	-	-	-	100,000	-	-
SL-177	Abatement - Bethel Manor Elem	-	-	-	60,000	-	-
SL-040	Repaving and Resurfacing - Bus Garage/Maint Complex	-	-	-	125,000	-	-
SL-041	Repaving and Resurfacing - Coventry Elem	120,000	-	-	-	-	-
SL-042	Repaving and Resurfacing - Magruder Elem	100,000	-	-	-	-	-
SL-044	Repaving and Resurfacing - York High Parking Lots	-	150,000	-	-	-	-
SL-129	Roof Repair and Replacement - Coventry Elem	-	100,000	-	-	-	-
SL-130	Roof Repair and Replacement - Magruder Elem	-	100,000	-	-	-	-
SL-139	Roof Repair and Replacement - Maint Facility (Warehouse)	-	-	110,000	-	-	-
SL-140	Roof Repair and Replacement - York High (partial)	-	-	-	-	-	750,000
SL-182	Bailey Field Lights	-	125,000	-	-	-	-
SL-183	Magruder Elem Gym Floor	50,000	-	-	-	-	-
SL-186	Bailey Field Artificial Turf	-	-	-	-	-	750,000
	Subtotal-Capital Maintenance	<u>450,000</u>	<u>475,000</u>	<u>110,000</u>	<u>1,835,000</u>	<u>2,450,000</u>	<u>3,700,000</u>
Capital Projects							
SL-233	Gym Construction/Classrooms - Waller Mill	-	-	-	4,500,000	-	-
SL-234	Classrooms - Dare Elem	-	2,200,000	-	-	-	-
SL-235	Classrooms - Mt Vernon Elem	-	-	-	-	2,200,000	-
SL-236	Classrooms - Tabb Elem	-	-	-	1,100,000	-	-
SL-237	Classrooms - Yorktown Elem	-	-	2,200,000	-	-	-
SL-238	Classrooms - Seaford Elem	-	-	-	800,000	-	-
SL-239	Classrooms - Magruder Elem	-	-	-	-	-	750,000
SL-240	Classrooms - Queens Lake Middle	-	-	-	-	-	1,000,000
SL-200	Site Work Athletic Fields - York High	-	1,200,000	-	-	-	-
SL-204	Addition/Renovations/Furnishings/Lockers - Yorktown Middle	9,800,000	-	-	-	-	-
SL-227	Bus Parking - Bruton Area	-	-	-	-	-	250,000
SL-228	Bus Parking - County Operations Center	-	-	-	-	-	200,000
SL-219	Addition/Renovations - New Horizons	1,500,000	-	-	-	-	-
SL-220	Practice/P.E. Gym - Grafton School Complex	-	-	-	-	-	1,500,000
	Subtotal-Capital Projects	<u>11,300,000</u>	<u>3,400,000</u>	<u>2,200,000</u>	<u>6,400,000</u>	<u>2,200,000</u>	<u>3,700,000</u>
Total Schools - Debt/Other Financing Sources		<u>11,750,000</u>	<u>3,875,000</u>	<u>2,310,000</u>	<u>8,235,000</u>	<u>4,650,000</u>	<u>7,400,000</u>
Total General Fund and Schools		<u>23,129,700</u>	<u>18,245,345</u>	<u>8,148,775</u>	<u>13,802,900</u>	<u>10,786,910</u>	<u>18,989,415</u>

**Adopted Capital Improvements Program
Fiscal Years 2007 - 2012**

Prg ID No.	Program Title	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012
ENTERPRISE FUNDS							
Water Projects							
ES-456	Old Quaker Estates	-	-	250,000	1,425,000	-	-
ES-466	Old Taylor Road	-	-	-	-	150,000	-
ES-467	Lightfoot Newport News Waterworks Water Extension	-	-	3,000,000	-	-	-
Total Water Projects		<u>-</u>	<u>-</u>	<u>3,250,000</u>	<u>1,425,000</u>	<u>150,000</u>	<u>-</u>
Sewer Projects							
ES-482	Falcon/Loblolly Area	-	-	500,000	1,600,000	-	-
ES-495	Allens Mill Road	-	-	-	-	400,000	1,200,000
ES-496	Darby/Firby Area	-	-	400,000	900,000	-	-
ES-499	Queens Lake Area	3,000,000	3,000,000	3,000,000	-	-	-
ES-500	Schenck Estates	-	-	-	-	-	600,000
ES-501	Waterview Road	-	-	-	-	500,000	1,750,000
ES-502	York Point	3,000,000	2,300,000	-	-	-	-
ES-504	Hornsbyville Road	-	-	-	400,000	1,300,000	-
ES-506	Old Wormley Creek Road	-	-	400,000	1,600,000	-	-
ES-507	Wolftrap Road	400,000	-	-	-	-	-
ES-508	Acree Acres	-	-	250,000	-	-	-
ES-509	Oak - Dogwood	-	-	-	200,000	1,000,000	-
ES-510	Moore's Creek	-	-	-	-	-	400,000
ES-8500	Sewer Line Rehab	300,000	400,000	400,000	500,000	500,000	600,000
ES-8502	Pump Station Rehab	300,000	800,000	400,000	400,000	500,000	500,000
ES-8501	Back-Hoe Replacement	-	-	-	100,000	-	-
ES-8503	Vactor Combination Unit	-	-	-	125,000	-	-
ES-8504	SCADA Automated Control Monitoring System	-	-	-	-	-	750,000
ES-8505	Vactor Combination Unit - Replacement	-	-	-	-	-	250,000
ES-8170	Infrastructure and Development Mgmt	15,000	15,000	250,000	20,000	20,000	20,000
Total Sewer Projects		<u>7,015,000</u>	<u>6,515,000</u>	<u>5,600,000</u>	<u>5,845,000</u>	<u>4,220,000</u>	<u>6,070,000</u>
Total All Enterprise Activities		<u>7,015,000</u>	<u>6,515,000</u>	<u>8,850,000</u>	<u>7,270,000</u>	<u>4,370,000</u>	<u>6,070,000</u>
Total All Capital Projects		<u>\$ 30,144,700</u>	<u>\$ 24,760,345</u>	<u>\$ 16,998,775</u>	<u>\$ 21,072,900</u>	<u>\$ 15,156,910</u>	<u>\$ 25,059,415</u>